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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3693
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2126
RUEHAR/AMEMBASSY ACCRA 2428
RUEHDS/AMEMBASSY ADDIS ABABA 2546
RUEHRL/AMEMBASSY BERLIN 1046
RUEHBY/AMEMBASSY CANBERRA 1822
RUEHDK/AMEMBASSY DAKAR 2177
RUEHKM/AMEMBASSY KAMPALA 2602
RUEHNR/AMEMBASSY NAIROBI 5030
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1695
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 001025

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D. PETERS
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 11-14-2008

11. SUMMARY

Topics of the week:

- SADC Attempts to Impose Political Solution...
- Protesters Beaten by Police, One Miscarried in Custody...
- RBZ Returns Global Fund Money...
- Diamonds are a Crooked Politician's Best Friend...
- Visiting American Surgical Team Moves to Private Hospital...
- African Human Rights Commission Berates Zimbabwe...
- Zim troops in DRC?...
- Air Zimbabwe Demands Fares In Foreign Exchange...
- Reserve Bank of Zimbabwe (RBZ) Re-instates RTGS...
- Cash Withdrawal Limit For Companies Raised and Forex Surrender Requirements Relaxed...
- Power Utility Stops Accepting Checks For Settlement Of Bills...
- Zimplats to Cease Open Pit Mining...

12. Price Movements-Exchange Rate
and Selected products

Parallel rate for cash shot up to Z\$600,000:US\$1

Check rate skyrocketed to Z\$20 quadrillion:US\$1 against inter-bank average of Z\$10,789:US\$1

Bread on the parallel market doubled to Z\$500,000

Sugar shot up to \$2,500,000/2kg

Petrol and diesel quadrupled to Z\$1,000,000/liter

On the Political/Social Front

13. SADC Attempts to Imose Political Solution... At a SADC summit in Soth Africa on November 9, where only five heads of tate (including Mugabe) were represented, SADC dscussed the political impasse in Zimbabwe and ina communiqu suggested that the MDC and ZANU-PF form a government and share the Home Affairs Ministry. MDC leader Tsvangirai rejected this proposal. The MDC issued a statement opposing not only the Home Affairs solution, but also criticizing SADC for failing to tackle other issues: an equitable distribution of all ministries, agreement on Constitutional Amendment 19 (encapsulating the September 15 agreement) as a precondition to establishment of a government, agreement on division of provincial governors, composition of the national security council, and discrepancies between what was agree to by the parties on September 11 and what was signed on September 15. In an interview on November 13, Arthur Mutambara told the press that Zimbabwean leaders should respect SADC's resolution, but Mutambara has so far indicated he will not enter the government unless Tsvangirai does.

14. Protesters Beaten by Police, One Miscarried in Custody... The National Constitutional Assembly (NCA) held protests in five cities on November 11, calling for a political solution. Riot police broke up protests in four cities and arrested over two dozen protesters. NCA reports that one woman who was three months pregnant was kicked repeatedly while in police custody in Mutare and had a miscarriage. Some protesters have been released after paying a fine. Police preventively detained NCA leader Lovemore Madhuku for about four hours to prevent him from participating.

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15. RBZ Returns Global Fund Money... Less than a week after The New York Times broke the story on the Reserve Bank's "diversion" of over US\$7 million that was donated to Zimbabwe by the Global Fund for AIDS, TB, and Malaria, the RBZ returned the funds to the account. Zimbabwe's application for Round 8 funding was approved this week.

16. Diamonds are a Crooked Politician's Best Friend... Zimbabwe's diamond fields have become a source for those with connections to enrich themselves. See Harare 1016

17. Visiting American Surgical Team Moves to Private Hospital... The volunteer medical team providing free cleft lip and palate operations moved from the largely defunct government-run Harare Central Hospital to the privately-funded St. Anne's Hospital in Harare. Inadequate facilities at Harare Central limited the number of operations they could perform. The team is scheduled to leave Harare on November 15 and plans to come back in six months for another round of surgeries. See:
<http://www.mg.co.za/article/2008-11-13-us-doctors-shocked-at-state-of-zim-health-system>

18. African Human Rights Commission Berates Zimbabwe... The African Commission for Human and People's Rights, meeting in Nigeria, criticized Zimbabwe for its atrocious human rights record in recent years, particularly in 2008. It called on the AU and SADC to, "to impress upon Zimbabwean authorities to take effective measures to stop all forms of politically motivated violence and allow for free political activity, including the opening up of space for the media and civil society.... [and] to remind Zimbabwe of its obligations to regional and international agreements and its current violation of the human rights in relation to continued detentions, threats and gender biased violence."

19. Zim troops in DRC?... The BBC reported that Zimbabwean troops are in the Democratic Republic of Congo to perform duties that include guarding mines. See: <http://news.bbc.co.uk/2/hi/africa/7726690.stm>

On the Economic and Business Front

¶10. Air Zimbabwe Demands Fares In Foreign Exchange... In line with increased dollarization in the country, Air Zimbabwe is no longer accepting payment for regional and international air fares in Zimbabwe dollars. Only local routes will be payable in local currency. The measure is designed to enable Air Zimbabwe to meet its external debt obligations and to pay for spare parts and other costs which account for 90 percent of the company's costs.

¶11. Reserve Bank of Zimbabwe (RBZ) Re-instates RTGS... Typical of RBZ governor Gideon Gono's policy flip-flopping in recent years, the RBZ has re-instated the real time gross settlement (RTGS) system which was suspended against technical advice from his advisers barely a month ago. According to the RBZ, all transactions going through the system must have a minimum threshold of Z\$5 billion (about US\$8). Gono advises that commercial banks employ the 'know your customer' principle in order to prevent abuse of the system.

¶12. Cash Withdrawal Limit For Companies Raised and Forex Surrender Requirements Relaxed... The RBZ stated that companies can now withdraw cash equivalent to 120 percent of their previous week's cash deposits, while foreign exchange licensed shops are now required to sell only 7.5 percent of their proceeds to the RBZ as opposed to the current 15 percent. The measures which appear to be a

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direct response to demands y industry are designed to address the queues at banks and the high prices of goods in foreign exchange licensed shops.

¶13. Power Utility Stops Accepting Checks For Settlement Of Bills... The Zimbabwe Electricity Supply Authority (ZESA) has stopped accepting checks as a form of payment for electricity consumed. The move, which comes hard on the heels of a steep increase in tariffs two weeks ago, will make it very hard for consumers to pay as they are only allowed to withdraw Z\$500,000 from the bank daily.

¶14. Zimplats to Cease Open Pit Mining... Zimbabwe's platinum producer, Zimplats Holdings, will cease the more expensive open pit mining at its Ngezi Mine at the end of this month following a sustained fall in platinum prices from US\$2,200 per ton in March 2008 to US\$846.89 per ton by November 7, 2008 in Europe. According to a company report published last week, management is exploring options to increase the cheaper underground ore production in order to take advantage of processing capacity that will become available with the commissioning of the Ngezi Concentrator in April 2009.

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